

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
----- 115544

R 221230Z JAN 76

FM AMEMBASSY KUWAIT  
TO SECSTATE WASHDC 4539  
USTREASURY WASHDC  
INFO AMEMBASSY JIDDA

C O N F I D E N T I A L SECTION 1 OF 2 KUWAIT 0358

EXDIS

TREASURY FOR SECRETARY SIMON

E.O. 11652: N/A

TAGS: EFIN, ETRD, PFOR, KU, US

SUBJ: GOK CONCERN OVER WASHINGTON POST ARTICLE

SUMMARY: MINISTER OF FINANCE ATEEQI IN LETTER TO TREASURY SECRETARY SIMON HAS EXPRESSED CONCERN OVER DISCLOSURE OF CONFIDENTIAL INFORMATION IN RECENT WASHINGTON POST ARTICLE. DURING IMPROMPTU MEETING WITH EMBOFF HE REITERATED CONCERN OVER POST ARTICLE AND ALSO OVER RECENT ANTI-ARAB BOYCOTT DEVELOPEMENTS. WHILE EXPRESSING CONTINUED FAITH IN FNCB, CHASE AND OTHER US FINANCIAL INSTITUTIONS AND DESIRE FOR CONTINUED GOOD RELATIONS WITH US, ATEEQI SAID GOK MAY HAVE TO REEVALUATE ITS CURRENT OIL AND TRADE POLICIES. HE SPECIFICALLY SUGGESTED THAT KUWAIT OIL PRODUCTION MIGHT HAVE TO BE REDUCED SO THAT FINANCIAL SURPLUSES CAN BE ELIMINATED. HE ALSO SAID GOK MAY HAVE TO RECONSIDER ITS OPEN TRADE POLICY AND SHIFT INSTEAD TO OIL BARTER ARRANGEMENTS. END SUMMARY.

1. EARLY THIS WEEK EMBASSY LEARNED THAT FINANCE MINISTER ATEEQI WAS PREPARING A LETTER TO SECRETARY SIMON. ON THURSDAY, JANUARY 22, KHALED ABU SU'UD TELEPHONED EMBOFF--CHIEF ECON/COMM SECTION AND A/DCM BOGOSIAN--WITH REQUEST EMBASSY TRANSMIT LETTER TO  
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SECRETARY. TEXT OF LETTER FOLLOWS SEPTTEL.

2. EMBOFF WENT TO MINISTRY OF FINANCE EXPECTING SIMPLY TO BE HANDED LETTER FOR TRANSMISSION TO SECRETARY SIMON. HOWEVER, DIRECTOR OF INVESTMENTS KHALED ABU SU'UD BROKE AWAY FROM ON-GOING MEETING TO DISCUSS LETTER WITH EMBOFF. AFTER READING LETTER, WHICH EXPRESSES CONCERN OVER LEAK TO WASHINGTON POST OF STRICTLY CONFIDENTIAL INFO PROVIDED TREASURY BY GOK CONCERNING KUWAITI DEPOSITS IN US BANKS, EMBOFF SAID USG OBVIOUSLY ALSO UNHAPPY WITH LEAKS OF CONFIDENTIAL INFORMATION. AS SU'UD KNEW FROM READING DAILY PAPERS, THIS WAS, UNFORTUNATELY, A PROBLEM INVOLVING MUCH MORE THAN LEAK CONTAINED IN POST ARTICLE IN QUESTION. ABU SU'UD ASKED WHETHER EMBOFF WOULD BE WILLING TO REPEAT THESE REMARKS TO ATEEQI. HE SAID ATEEQI AND PRIME MINISTER WERE QUITE UPSET OVER LEAK. ABU SU'UD PHONED ATEEQI WHO AGREED TO MEET EMBOFF.

3. PRIOR TO ATEEQI MEETING, ABU SU'UD EXPLAINED THAT GOK MAINTAINS TWO ACCOUNTS AT FNCB. ONE IS RESERVE ACCOUNT WITH, HE SAID, ABOUT \$400 MILLION. OTHER IS TRANSIT ACCOUNT, AND THIS LATTER ACCOUNT WAS SUBJECT OF POST ARTICLE. ABU SU'UD SAID CURRENTLY GOK MAINTAINS AS MUCH AS \$2.5 BILLION IN THAT ACCOUNT BUT AVERAGE DAILY BALANCE IS MORE ON ORDER OF \$1 BILLION. IT IS IN THIS ACCOUNT THAT OIL PAYMENTS WHICH ARE MADE IN DOLLARS ARE PLACED UNTIL SUCH TIME AS THEY CAN BE DISBURSED. HE SAID GOK IS SATISFIED WITH PERFORMANCE OF BOTH FNCB AND CHASE, AND HE SAID GOK HAD NO QUARREL WITH CHASE MANAGEMENT AS ALLEGED IN POST ARTICLE. ON CONTRARY, HE SAID, GOK EARNED HANDSOME INCOME LAST YEAR FROM CHASE REAL ESTATE ACCOUNT. ABU SU'UD SAID PRIME MINISTER HAD ASKED HIM ABOUT CHASE MANAGEMENT, AND HE, ABU SU'UD, SAID GOK HAD NO COMPLAINTS.

4. DURING SUBSEQUENT MEETING WITH ATEEQI, LATTER WAS QUIET, CALM AND GENERALLY FRIENDLY. HE WAS, HOWEVER, SERIOUS AND FIRM. HE REITERATED CONCERN OVER POST STORY. EMBOFF PROVIDED BACKGROUND INFORMATION ON PROBLEMS OF PRESS LEAKS IN US AND LEGAL RESTRAINTS IN COMBATTING PROBLEM ARISING OUT OF FIRST AMENDMENT FREEDOM OF PRESS PROTECTION AND RECENT COURT DECISIONS LIMITING INQUIRY INTO NEWSMEN'S SOURCES. EMBOFF ALSO DISCUSSED CONCERN IN US FOLLOWING FRANKLIN NATIONAL BANK FAILURE AND POSSIBILITY OF CONGRESSIONAL ACTION IN AREA OF BANK REGULATION.

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5. EMBOFF ASKED WHAT, IF ANYTHING, WOULD ATEEQI WANT US OFFICIALS TO SAY ABOUT MATTER. ATEEQI REPLIED THAT HE WOULD APPRECIATE STATEMENTS THAT WOULD INDICATE THAT OVER PAST TWENTY YEARS KUWAIT HAD BEEN PRUDENT, LAW ABIDING INVESTOR IN US. HOWEVER, HE DID NOT WANT MENTION MADE OF HIS PERSONAL ASSURANCES ON SUBJECT WHICH WERE MADE TO ASSISTANT SECRETARY PARSKY IN KUWAIT OR TO SECRETARY SIMON IN WASHINGTON LAST SUMMER. ATEEQI BELIEVES

TO DO SO WOULD CAUSE DOMESTIC POLITICAL PROBLEMS. EMBOFF ASKED WHETHER GOK WOULD MIND IF NATURE OF FNCB TRANSIT ACCOUNT COULD BE EXPLAINED; IN PROCESS HE TRIED TO INDICATE THAT CONGRESS MAY BE SEEKING SUCH INFORMATION SOON. AT FIRST ATEEQI THOUGHT THIS WOULD BE GOOD IDEA, BUT AFTER SOME DEMURRERS FROM ABU SU'UD HE DECIDED THERE IS NO NEED TO MAKE PUBLIC EXPLANATION.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
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R 221230Z JAN 76  
FM AMEMBASSY KUWAIT  
TO SECSTATE WASHDC 4540  
USTREASURY WASHDC  
INFO AMEMBASSY JIDDA

C O N F I D E N T I A L SECTION 2 OF 2 KUWAIT 0358

EXDIS

6. AT ABOUT THIS POINT UNDERSECRETARY ALI KHALIFA AL-SABAH JOINED MEETING, AND CONVERSATION TURNED TO RECENT ANTI-BOYCOTT DEVELOPEMENTS IN US, PARTICULARLY NEW YORK LAW. AFTER MAKING POINTS SIMILAR TO THOSE IN HIS RECENT CHRISTIAN SCIENCE MONITOR INTERVIEW, ATEEQI SAID THAT COMBINATION OF PRESS LEAKS--WHICH HE SEE AS POLITICALLY, I.E., ANTI-ARAB, INSPIRED-- AND RECNET ANTI-BOYCOTT ACTIONS COULD POSSIBLY SERIOUSLY HINDER US-KUWAIT ECONOMIC RELATIONS. IF GOK CANNOT MAINTAIN ITS SURPLUS FUNDS IN US BANKS IN CONFIDENTIAL MANNER, ONE ALTERNATIVE FOR GOK WAS TO LIMIT OIL PRODUCTION SO THAT INCOME MATCHES EXPENDITURES AND SURPLUSES CEASE TO EXIST. IF BOYCOTT PROBLEM CANNOT BE RESOLVED, PERHAPS GOK SHOULD DISCONTINUE TRADITIONAL OPEN-DOOR TRADE POLICY AND ENTER INTO OIL BARTER ARRANGEMENTS.

7. EMBOFF BRIEFED GOK OFFICIALS ON RELIGIOUS DISCRIMINATION AND ANTI-TRUST LEGAL ISSUES BEHIND RECENT ANTI-BOYCOTT ACTIONS. HEREMINDED ATEEQI OF GENERALLY FRIENDLY AND FRUITFUL RELATIONS BETWEEN US AND KUWAIT AND USG DESIRE TO HAVE BEST POSSIBLE ECONOMIC RELATIONS WITH KUWAITIS AND OTHER ARABS. ADMITTING THAT SERIOUS PROBLEMS WERE BEFORE US, EMBOFF URGED ATEEQI TO

ALLOW TIME TO PASS TO ALLOW RESOLUTION OF PROBLEMS. AS FOR POSSIBLE CONCERN IN US OVER KUWAITI DEPOSITS, EMBOFF SUGGESTED THAT GOK "ACCENTUATE THE POSITIVE", I.E. KUWAIT'S RECORD OF PRUDENCE AND

STABILITY AND EXPLAIN ITS ACTIVITIES AS IN CASE OF TRANSIT ACCOUNT.  
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8. BECOMING MORE POSITIVE, ATEEQI ASSURED EMBOFF THAT HE TOO VALUED GOOD US-KUWAIT RELATIONS AND THAT LAST THING HE WANTED WAS TO TAKE DRASTIC STEPS. BUT, HE SAID, I HAVE TO START THINKING OF ALTERNATIVES. HE SEEMED TO AGREE THAT "ACCENTUATING POSITIVE" WAS MORE BENEFICIAL FOR KUWAITIS, BUT HE WOULD NOT AGREE THAT THERE MUCH TO BE GAINED BY EXPLAINING WHAT HE CONSIDERS TO BE VERY PRIVATE INFORMATION.

9. AS MEETING DREW TO A CLOSE, EMBOFF ASKED WHETHER ATEEQI COULD COMMENT ON REACTION OF OTHER REGIONAL FINANCE MINISTERS WHO HAVE JUST CONCLUDED MEETING IN KUWAIT. ATEEQI SAID NEITHER POST ARTICLE NOR BOYCOTT PROBLEM HAD BEEN DISCUSSED, BUT HE COULD CONFIRM THAT SAUDIS WERE QUITE UPSET OVER LATTER.

10. COMMENT AND ACTION REQUESTED: IT CLEAR THAT GOK AT HIGHEST LEVELS ARE UPSET OVER POST STORY. RECENT DEVELOPEMENTS, INCLUDING ANTI-BOYCOTT DEVELOPEMENTS, DO NOT HELP. BELIEVE IT WOULD BE HIGHLY DESIRABLE IF TREASURY SECRETARY SIMON COULD FIND OCCASION IN NEAR FUTURE TO MAKE PUBLIC STATEMENT TO EFFECT THAT KUWAITIS OVER THE PAST TWENTY YEARS HAVE BEEN LAW ABIDING INVESTORS WHO HAVE NEVER SOUGHT TO DISRUPT US ECONOMY OR FINANCIAL MARKETS. WOULD ALSO BE HELPFUL FOR SECRETARY TO SAY THAT, ON BASIS OF THEIR RECORD, HE BELIEVES GOK WILL CONTINUE TO BEHAVE IN THIS MANNER. SUCH A STATEMENT WOULD BE HIGHLY APPRECIATED BY ATEEQI AND PRIME MINISTER. IN ADDITION, EMBASSY HOPES IN REPLYING TO ATEEQI LETTER SECRETARY SIMON COULD STATE THAT INVESTIGATION OF LEAK REQUESTED BY ATEEQI ON LETTER WILL BE MADE.  
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## Message Attributes

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